

CITY OF MARQUETTE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2014

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CITY OF MARQUETTE

OFFICIALS

<u>Name</u>	<u>Title</u> (Before January, 2014)	<u>Term Expires</u>
Norma Mason	Mayor	Jan. 2014
Jason Winter	Mayor Pro tem	Jan. 2016
Tracy Melver	Council Member	Jan. 2014
Mary Jo Pirc	Council Member	Jan. 2014
Rinda Ferguson	Council Member	Jan. 2014
Jim Meana	Council Member	Jan. 2016
Dean Hilgersen	City Manager	Indefinite
Susan Weipert	City Clerk/Treasure	Indefinite
James Garrett	Attorney	Indefinite
(After December, 2013)		
Norma Mason	Mayor	Jan. 2016
Jason Winter	Mayor Pro tem	Jan. 2016
Jim Meana	Council Member	Resigned Apr 16, 2014
Cindy Halvorson	Council Member	Jan. 2018
John Ries	Council Member	Jan. 2018
Rinda Ferguson	Council Member	Jan. 2018
Dean Hilgersen	City Manager	Indefinite
Susan Weipert	City Clerk/Treasure	Indefinite
James Garrett	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units and remaining fund information, and each major fund of the City of Marquette, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing the audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units and remaining fund information, and each major fund of the City of Marquette as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marquette's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements, which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly

stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 13 and 32 through 33, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2014 on our consideration of the City of Marquette's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Marquette's internal control over financial reporting and compliance.

Elkader, Iowa

October 10, 2014


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF MARQUETTE

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Marquette provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 5.5%, or approximately \$ 95,000 from fiscal year 2013 to fiscal 2014.

Disbursements of the City's governmental activities decreased 53.2%, or approximately \$ 1.480 million in fiscal 2014 from fiscal 2013. Community and economic development and capital projects disbursements decreased approximately \$ 576,000 and \$ 922,000, respectively.

The City's total cash basis net position increased 10.8%, or approximately \$ 323,000 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$ 328,000 and the cash basis net position of the business type activities decreased approximately \$ 5,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of Cash Basis Statements of Activities and Net Position. These statements provide information about the activities of the City as a whole and present an overview of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and comparative information about the governmental funds for the last ten years.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the fund in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

The City's Reporting Entity Presentation

This annual report includes all activities for which the City of Marquette City Council is fiscally responsible. These activities, defined as the City's reporting entity, are operated within separate legal entities that are the primary government and other separate legal entities that are included as component units.

The primary government consists of two legal entities: the City of Marquette and the Mar Mac Driftless Area Wetland Centre.

The component unit presentation consists of two legal entities: the Mar-Mac Unified Law Enforcement District and the Marquette Action Club, Inc.

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities. The Cash Basis

Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statements of Activities and Net Position present the City's net position. Over time, increases and decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statements of Activities and Net Position are divided into three kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and capital projects. Property tax, state and federal grants, and gaming revenues finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Discretely Presented Component Units consist of the Mar-Mac Unified Law Enforcement District and the Marquette Action Club, Inc., legally separate organizations that have the potential to provide specific benefits or impose specific financial burdens on the City.

Fund Financial Statements

The City has two kinds of funds:

Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include (1) the General Fund, (2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment, and Mar Mac Driftless Area Wetland Centre and (3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statements for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$ 2.926 million to approximately \$ 3.254 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 252	236
Operating grants and contributions	51	68
Capital grants and contributions	81	124
General receipts:		
Property tax	570	583
Local option taxes	103	52
Gaming wager tax	500	588
Sale of assets	13	19
Unrestricted investment earnings	42	43
Other general receipts	17	11
Total receipts	1,629	1,724
Disbursements:		
Public safety	178	197
Public works	151	157
Health and social services	1	1
Culture and recreation	132	110
Community and economic development	2	578
General government	246	225
Capital projects	591	1,513
Total disbursements	1,301	2,781
Changes in cash basis net position	328	(1,057)
Cash basis net position - newly blended component unit beginning of year	0	65
Cash basis net position beginning of year	2,926	3,918
Cash basis net position end of year	\$ 3,254	2,926

The City's total receipts for governmental activities decreased 5.5%, or approximately \$ 95,000. The total cost of all programs and services decreased approximately \$ 1.480 million or 53.2%. The decrease in receipts was primarily due to a decrease in gaming wager taxes of approximately \$ 88,000. The significant decrease in disbursements was primarily due to the approximate \$ 575,000 cost of completing the wetland nature center in 2013.

The cost of all governmental activities this year was approximately \$ 1.301 million compared to approximately \$ 2.781 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was only \$ 917,000 because some of the cost was paid by those directly benefited from the programs (\$ 252,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$132,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in 2014 from approximately \$ 428,000 to approximately \$ 384,000. The City paid the remaining "public benefit" portion of governmental activities with approximately \$ 673,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest (\$ 42,000) and gaming wager receipts (\$500,000).

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 79	81
Sewer	85	86
General receipts:		
Sale of assets	0	1
Other general receipts	6	2
Total receipts	<u>170</u>	<u>170</u>
Disbursements:		
Water	83	89
Sewer	92	97
Total disbursements	<u>175</u>	<u>186</u>
Change in cash basis net position	(5)	(16)
Cash basis net position beginning of year	<u>57</u>	<u>73</u>
Cash basis net position end of year	<u>\$ 52</u>	<u>57</u>

Total business type activities receipts for the fiscal year were \$ 170,000 compared to \$ 170,000 last year. The cash balance decreased approximately \$ 5,000 from the prior year. Total disbursements for the fiscal year decreased 4.8% or approximately \$ 9,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Marquette completed the year, its governmental funds reported a combined fund balance of \$ 3,254,021, an increase of \$ 327,636 from last year's total of \$ 2,926,385. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 709,468 from the prior year to \$ 2,998,461. The General Fund transferred \$ 120,538 to the Capital Projects Fund and received \$ 543,358 from the TIF Fund. The transfers to the Capital Projects Fund were primarily for the downtown project. The transfers from Urban Renewal Tax Increment Fund were for repayment of interfund loans.

The Special Revenue, Urban Renewal Tax Increment Fund receipts were used to transfer \$ 543,247 to the General Fund as a payment on interfund loans.

The Capital Projects Fund disbursed \$ 591,340 during the current fiscal year for various capital projects, which included \$ 369,535 for the downtown project, \$ 91,746 for the Wetland Centre and \$ 104,059 for the overlook.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved April 15, 2014 and resulted in a decrease of \$ 637,750 in budgeted disbursements, primarily a result of budgeted decrease in capital projects disbursements of \$ 684,750.

The City's receipts were \$ 77,232 less than budgeted, primarily due to the City receiving \$ 50,987 less in grants than anticipated.

DEBT ADMINISTRATION

At June 30, 2014 and 2013, the City had no long-term debt.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is approximately \$ 1.6 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Marquette's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities. One of those factors is revenue from the gaming boat. Total gaming boat receipts for the years ended June 30, 2014, 2013, and 2012 were \$ 682,916, \$ 755,477, and \$ 791,311, respectively. New gaming facilities in Iowa and a depressed economy had put downward pressure on these receipts. The new hotel has increased hotel/motel tax \$ 53,155. Population decreased 21.2% in the 2010 census from the 2000 census. However, the City appealed the count and received a positive re-determination from 375 to 462.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are \$ 1.937 million, an increase of 3.5% over the final fiscal 2014 budget. Budgeted disbursements are expected to increase \$ 290,485, with capital projects disbursements budgeted to increase \$ 239,750.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 163,000 by the close of 2015.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dean Hilgersen, City Manager; 102 North Street; Marquette, Iowa.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF MARQUETTE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
As of and for the Year Ended June 30, 2014

Functions/Programs:	Disbursements	Program Receipts			Primary Government			Aggregate Discretely Presented Component Units
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
					Governmental Activities	Business Type Activities	Total	
Governmental activities:								
Public safety	\$ 178,304	77,135	4,750	-	(96,419)	-	(96,419)	
Public works	150,495	41,917	46,071	-	(62,507)	-	(62,507)	
Health and social services	1,066	-	-	-	(1,066)	-	(1,066)	
Culture and recreation	132,407	128,099	-	4,233	(75)	-	(75)	
Community and economic development	1,599	-	-	-	(1,599)	-	(1,599)	
General government	246,296	5,228	-	-	(241,068)	-	(241,068)	
Capital projects	591,340	-	-	76,977	(514,363)	-	(514,363)	
Total governmental activities	1,301,507	252,379	50,821	81,210	(917,097)	-	(917,097)	
Business type activities:								
Water	82,768	79,454	-	-	-	(3,314)	(3,314)	
Sewer	92,645	84,729	-	-	-	(7,916)	(7,916)	
Total business type activities	175,413	164,183	-	-	-	(11,230)	(11,230)	
Total primary government	\$ 1,476,920	416,562	50,821	81,210	(917,097)	(11,230)	(928,327)	
Aggregate discretely presented component units	\$ 310,237	261,157	45,974	-				(3,106)
General receipts:								
Property and other city tax					10,256	-	10,256	-
Tax increment financing					559,407	-	559,407	-
Local option sales tax					36,014	-	36,014	-
Hotel/motel tax					67,348	-	67,348	-
Gaming wager tax					499,999	-	499,999	-
Unrestricted interest on investments					41,706	-	41,706	572
Miscellaneous					16,503	6,353	22,856	3,210
Sale of capital assets					13,500	-	13,500	-
Total general receipts					1,244,733	6,353	1,251,086	3,782
Change in cash basis net position					327,636	(4,877)	322,759	676
Cash basis net position beginning of year as restated					2,926,385	56,733	2,983,118	154,560
Cash basis net position end of year					\$ 3,254,021	51,856	3,305,877	155,236
Cash Basis Net Position								
Restricted; expendable:								
Overpass demolition					\$ 100,000	-	100,000	-
Urban renewal purposes					69,238	-	69,238	-
Streets					17,836	-	17,836	-
Unrestricted					3,066,947	51,856	3,118,803	155,236
Total cash basis net position					\$ 3,254,021	51,856	3,305,877	155,236

See notes to financial statements.

Exhibit B

CITY OF MARQUETTE
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS
As of and for the Year Ended June 30, 2014

Discretely Presented Component Unit	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants and Contributions	Unified Law Enforcement District	Marquette Action Club, Inc.	Total
Mar Mac Unified Law Enforcement District	\$ 285,024	252,857	45,974	13,807	-	13,807
Marquette Action Club, Inc.	25,213	8,300	-	-	(16,913)	(16,913)
Total	\$ 310,237	261,157	45,974	13,807	(16,913)	(3,106)
General receipts:						
Unrestricted interest on investments				450	122	572
Miscellaneous				3,210	-	3,210
Total general receipts				3,660	122	3,782
Change in cash basis net position				17,467	(16,791)	676
Cash basis net position, beginning of year				85,771	68,789	154,560
Cash basis net position, end of year				\$ 103,238	51,998	155,236
Cash Basis Net Position:						
Unrestricted				\$ 103,238	51,998	155,236

See notes to financial statements.

Exhibit C

CITY OF MARQUETTE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2014

	General	Special Revenue Urban Renewal Tax Increment	Capital Projects	Special Revenue Nonmajor	Total
Receipts:					
Property tax	\$ 9,794	-	-	-	9,794
Tax increment financing	-	559,407	-	-	559,407
Other city tax	603,823	-	-	-	603,823
Licenses and permits	5,050	-	-	-	5,050
Use of money and property	244,777	-	-	126	244,903
Intergovernmental	12,180	-	36,912	40,221	89,313
Charges for service	42,094	-	-	-	42,094
Miscellaneous	21,194	-	23,565	16,500	61,259
Total receipts	938,912	559,407	60,477	56,847	1,615,643
Disbursements:					
Operating:					
Public safety	178,304	-	-	-	178,304
Public works	112,314	-	-	38,181	150,495
Health and social services	1,066	-	-	-	1,066
Culture and recreation	112,574	-	-	19,833	132,407
Community and economic development	1,599	-	-	-	1,599
General government	246,296	-	-	-	246,296
Capital projects	-	-	591,340	-	591,340
Total disbursements	652,153	-	591,340	58,014	1,301,507
Excess (deficiency) of receipts over (under) disbursements	286,759	559,407	(530,863)	(1,167)	314,136
Other financing sources (uses):					
Sale of capital assets	-	-	13,500	-	13,500
Operating transfers in	543,247	-	123,796	-	667,043
Operating transfers out	(120,538)	(543,247)	-	(3,258)	(667,043)
Total other financing sources (uses)	422,709	(543,247)	137,296	(3,258)	13,500
Net change in cash balances	709,468	16,160	(393,567)	(4,425)	327,636
Cash balances beginning of year	2,288,993	53,078	562,053	22,261	2,926,385
Cash balances end of year	\$ 2,998,461	69,238	168,486	17,836	3,254,021

(continued)

Exhibit C
(continued)

CITY OF MARQUETTE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2014

	General	Special Revenue Urban Renewal Tax Increment	Capital Projects	Special Revenue Nonmajor	Total
Cash Basis Fund Balances:					
Restricted for:					
Overpass demolition	\$ 100,000	-	-	-	100,000
Urban renewal purposes	-	69,238	-	-	69,238
Streets	-	-	-	17,836	17,836
Committed for:					
Playground	5,522	-	-	-	5,522
Trees	4,000	-	-	-	4,000
Capital projects	-	-	168,486	-	168,486
Assigned for economic development	21,129	-	-	-	21,129
Unassigned	2,867,810	-	-	-	2,867,810
Total cash basis fund balances	\$ 2,998,461	69,238	168,486	17,836	3,254,021

See notes to financial statements.

CITY OF MARQUETTE
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 As of and for the Year Ended June 30, 2014

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 79,454	84,729	164,183
Operating disbursements:			
Business type activities	82,768	92,645	175,413
Deficiency of operating receipts under operating disbursements	(3,314)	(7,916)	(11,230)
Non-operating receipts			
Miscellaneous	5,724	629	6,353
Excess (deficiency) of receipts over (under) disbursements	2,410	(7,287)	(4,877)
Other financing sources (uses)			
Operating transfers in (out)	(15,500)	15,500	-
Net change in cash balances	(13,090)	8,213	(4,877)
Cash balances beginning of year, as restated	42,521	14,212	56,733
Cash balances end of year	<u>\$ 29,431</u>	<u>22,425</u>	<u>51,856</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ 29,431</u>	<u>22,425</u>	<u>51,856</u>

See notes to financial statements.

CITY OF MARQUETTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Marquette is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1860 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Marquette has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has three component units which meet the Governmental Accounting Standards Board criteria.

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended unit's governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. The component unit's funds are blended to those of the City by appropriate fund type to constitute the primary government presentation. The blended component is presented below:

<u>Component Unit/ Fund Included In</u>	<u>Brief Description /Inclusion Criteria</u>
Mar Mac Driftless Area Wetland Centre Special Revenue, Mar Mac Driftless Area Wetland Centre Fund	Created in 2009 under Chapter 28E of the Code of Iowa to build and operate a multi-use community facility and arts venue, a nature center focusing on area ecosystems, and eventually, a trailhead for area pedestrian and cycling trails. The Centre is

governed by a five member board, two of which are appointed by the City of Marquette, who are currently residents of Marquette. Appointments are made by the Mayor, subject to Council approval. The 28E agreement was terminated August 13, 2013, and the City acquired all tangible assets of the Centre, including the nature center building and improvements, and all equipment, supplies and records.

Driftless Area Wetland
Centre
General Fund

Created August 13, 2013 after termination of the above agreement, under 28E of the Code of Iowa to operate a multi-use community facility and arts venue, a nature center focusing on area ecosystems, and eventually, a trailhead for area pedestrian and cycling trails. The Centre is governed by a five member board, four of which are appointed by the City of Marquette. Appointments are made by the Mayor subject to Council approval. One member shall be appointed by the MFL MarMac Community School District. The Board of Directors shall have exclusive control of the expenditure of all funds allocated for Wetlands Centre purposes by Marquette's Council, and all monies received by the Wetlands Centre from other sources, subject to limitations of expenditures set forth in the annual budget approved by Marquette's Council. Prior to January 1, 2032, this agreement may only be terminated by mutual consent of the parties; but any such termination shall not be effective unless the written consent of the Iowa Department of Cultural Affairs or any successor state agency is received. In the event this agreement is terminated prior to January 1, 2032, Marquette shall pay to the School in partial reimbursement for construction costs of \$ 144,000 for the Wetlands Centre contributed by the School. Beginning July 1, 2014, the amount decreases by \$ 7,579 annually until June 30, 2032. After January 1, 2032, either party may terminate the agreement by written notice to the other at least ninety days prior to designated termination date.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component units that are discretely presented in the City's report are presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Mar-Mac Unified Law Enforcement District	Created in 1999 under Chapter 28E of the Code of Iowa to provide police services to the cities of Marquette and McGregor. The District is governed by a five member board, two of which are appointed by the City of Marquette, who are persons currently serving as either Mayor or Council Member of Marquette. Appointments are made by the Mayor, subject to Council approval; provided however, that if the Mayor appoints himself/herself, Council approval is not required. The City of Marquette shall appropriate and pay to the District each fiscal year a sum equal to 62%, 59%, 56% and 53% of the District's budget for the years ending June 30, 2014, 2015, 2016 and 2017, respectively. Thereafter, the City of Marquette shall appropriate and pay to the District each fiscal year a sum equal to 50% of the District's budget.
Marquette Action Club, Inc.	Created March 13, 2009, under Chapter 504 of the Code of Iowa, for the purpose of improving and beautifying the City of Marquette. The initial directors of the Organization are its incorporators, which includes one former council member of the City of Marquette.

The District issues a publicly available audited financial report that includes financial statements and other information. The report may be obtained by writing to: Mar-Mac Unified Law Enforcement District; P.O. Box 69; Marquette, Iowa 52158-0069.

The Marquette Action Club, Inc. does not issue separately audited component unit financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the

participating governments. City officials are members of the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission and Clayton County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component units (the Mar-Mac Unified Law Enforcement District and the Marquette Action Club, Inc.) are reported as if they were external transactions and are classified separately from internal transactions within the primary government.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net assets. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement cost not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position, available to finance the

program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used for specific purposes pursuant to constraints imposed by the Council through ordinance or resolution approved prior to year end.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The Primary Government's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$ 17,506, \$ 16,558, and \$ 14,220, respectively, equal to the required contribution for each year.

Certain employees in special risk occupations and the Discretely Presented Component Unit contribute an actuarially determined contribution rate. The Discretely Presented Component Unit's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$ 13,672, \$ 16,556, and \$ 15,835, respectively, equal to the required contributions for each year.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Discretely Presented Component Unit operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City and the Discretely Presented Component Unit. The City and the Discretely Presented Component Unit finance the retiree benefit plans on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 1,163 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$ 43,464 and plan members contributed \$ 5,040. The most recent active member monthly premiums for the Discretely Presented Component Unit and plan members are \$ 376 for single coverage and \$ 939 for family coverage. For the year ended June 30, 2014, the Discretely Presented Component Unit contributed \$ 27,211 and plan members contributed \$ 2,879.

(5) **Compensated Absences**

City and Discretely Presented Component Unit employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death.

These accumulations are not recognized as disbursements until used or paid. The City's and the Discretely Presented Component Unit's approximate liabilities for earned compensated absences payable to employees at June 30, 2014 are as follows:

<u>Type of Benefit</u>	<u>Primary Government</u>	<u>Discretely Presented</u>
	<u>Amount</u>	<u>Component Units</u>
Vacation	\$ 0	5,100
Compensatory hours	<u>0</u>	<u>900</u>
Total	<u>\$ 0</u>	<u>6,000</u>

These liabilities have been computed based on rates of pay as of June 30, 2014.

(6) Excursion Gambling Boat Dock Site Lease Agreement

On July 10, 1994, the City entered into a dock site lease agreement with a Company to operate and manage casino gambling on excursion gambling boats and related activities in and about the City of Marquette. The dock site lease agreement provides docking facilities for a twenty five year term beginning June 10, 1994. The agreement provides that the Company pay the City a) \$ 105,000 per year payable in equal monthly installments; b) fifty cents per ticketed passenger payable monthly; c) two and one-half percent of the net gambling receipts in excess of \$ 10,000,000 per year; and d) fifty cents per passenger admission pursuant to Chapter 99F.10 of the Code of Iowa and the City ordinance for dock site rental. Additionally, the City provides 24 hour public safety protection for \$ 75,000 per year payable monthly.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Urban Renewal Tax Increment	\$ 543,247
Capital Projects	General	120,538
	Special Revenue: MarMac Driftless Area Wetland Centre	3,258
		<u>123,796</u>
Total		<u>\$ 667,043</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Marquette and its Discretely Presented Component Units are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

(9) Related Party Transactions

The City paid \$ 156,641 to Mar-Mac Unified Law Enforcement District, a Discretely Presented Component Unit, of the City, for police services during the fiscal year ended June 30, 2014. The District refunded \$ 4,750 to the City during the same fiscal year.

The Marquette Action Club, Inc., a Discretely Presented Component Unit, donated \$ 15,000 to the City for a park shelter during the fiscal year ended June 30, 2014. In addition, the Club paid \$ 2,500 to paint the Depot/Museum during the same fiscal year.

(10) Commitments

The City's contracted obligation to Mar-Mac Unified Law Enforcement District for police service for the fiscal year ended June 30, 2015 is \$ 142,682.

The City entered into two contracts totaling \$ 70,692 for the construction of a park shelter on the riverfront and for the purchase of a 2015 Ford F-250 pickup.

(11) Significant Concentration of Credit Risk

Receipts from one business comprised approximately 38% of the City's total receipts for the fiscal year ended June 30, 2014.

(12) Interfund Loans

The General Fund has loans outstanding to the Special Revenue, Urban Renewal Tax Increment Fund of \$ 4,015,666 at June 30, 2014. These loans will be repaid with future tax increment financing collections.

(13) Donated Collection Items

During the fiscal year ended June 30, 2014, the City received a collection of native American baskets. The City does not capitalize donated works of art or recognize them as receipts or gains. Donations need not be recognized if they are added to collections that are held for public exhibitions, education or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 66, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ended June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

(15) Prior Year Adjustment

An error resulting in an understatement of previously reported business type activity net position and enterprise, sewer fund cash basis fund balance of \$ 87 was discovered during the current year. Accordingly, an adjustment of \$ 87 was made to increase cash and the cash basis fund balance.

OTHER INFORMATION

CITY OF MARQUETTE
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL AND PROPRIETARY FUNDS
OTHER INFORMATION
Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Blended Component Unit	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
Receipts:							
Property tax	\$ 9,794	-	-	9,794	7,677	7,677	2,117
Tax increment financing	559,407	-	-	559,407	589,750	589,750	(30,343)
Other city tax	603,823	-	-	603,823	654,956	614,956	(11,133)
Licenses and permits	5,050	-	-	5,050	2,200	2,200	2,850
Use of money and property	244,903	-	126	244,777	212,400	227,400	17,377
Intergovernmental	89,313	-	-	89,313	420,300	140,300	(50,987)
Charges for service	42,094	164,183	-	206,277	223,025	228,025	(21,748)
Miscellaneous	61,259	6,353	16,500	51,112	1,750	46,750	4,362
Total receipts	1,615,643	170,536	16,626	1,769,553	2,112,058	1,857,058	(87,505)
Disbursements:							
Public safety	178,304	-	-	178,304	184,164	189,164	10,860
Public works	150,495	-	-	150,495	157,767	183,767	33,272
Health and social services	1,066	-	-	1,066	1,120	1,120	54
Culture and recreation	132,407	-	19,833	112,574	124,340	124,340	11,766
Community and economic development	1,599	-	-	1,599	12,750	12,750	11,151
General government	246,296	-	-	246,296	227,688	253,688	7,392
Capital projects	591,340	-	-	591,340	1,535,000	850,250	258,910
Business type activities	-	175,413	-	175,413	204,530	194,530	19,117
Total disbursements	1,301,507	175,413	19,833	1,457,087	2,447,359	1,809,609	352,522
Excess (deficiency) of receipts over (under) disbursements	314,136	(4,877)	(3,207)	312,466	(335,301)	47,449	265,017
Other financing sources, net	13,500	-	(3,258)	16,758	13,500	13,500	3,258
Excess (deficiency) of receipts and other financing sources over (under) disbursements	327,636	(4,877)	(6,465)	329,224	(321,801)	60,949	268,275
Balances beginning of year	2,926,385	56,733	6,465	2,976,653	2,449,786	2,976,654	(1)
Balances end of year	\$ 3,254,021	51,856	-	3,305,877	2,127,985	3,037,603	268,274

See accompanying independent auditor's report and notes to other information-budgetary reporting.

CITY OF MARQUETTE

Notes to Other Information - Budgetary Reporting

June 30, 2014

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2014, the budget amendment decreased budgeted disbursements \$ 637,750. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF MARQUETTE
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2014

	Special Revenue		
	Road Use Tax	Mar Mac Driftless Area Wetland Centre	Total
Receipts:			
Use of money and property	\$ -	126	126
Intergovernmental	40,221	-	40,221
Miscellaneous	-	16,500	16,500
Total receipts	40,221	16,626	56,847
Disbursements:			
Public works	38,181	-	38,181
Culture and recreation	-	19,833	19,833
Total disbursements	38,181	19,833	58,014
Excess (deficiency) of receipts over (under) disbursements	2,040	(3,207)	(1,167)
Other financing uses:			
Operating transfers out	-	(3,258)	(3,258)
Net change in cash balances	2,040	(6,465)	(4,425)
Cash balances beginning of year	15,796	6,465	22,261
Cash balances end of year	\$ 17,836	-	17,836
Cash Basis Fund Balances:			
Restricted for:			
Streets	\$ 17,836	-	17,836

See accompanying independent auditor's report.

Schedule 2

CITY OF MARQUETTE
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts:										
Property tax	\$ 9,794	9,174	57,316	98,889	6,931	26,889	23,265	22,550	20,967	10,102
Tax increment financing	559,407	573,392	339,015	338,577	339,432	409,550	410,743	405,772	384,135	430,377
Other city tax	603,823	639,768	640,962	617,769	670,494	739,630	868,175	1,062,131	1,212,068	1,232,376
Licenses and permits	5,050	2,087	1,538	3,581	3,920	1,695	2,170	715	2,145	2,180
Use of money and property	244,903	218,868	271,466	275,233	297,680	356,740	242,257	333,943	268,900	225,990
Intergovernmental	89,313	109,620	280,465	253,925	565,036	55,536	248,659	39,624	39,850	114,698
Charges for service	42,094	41,112	40,348	39,523	42,967	42,022	26,821	25,887	24,558	25,108
Miscellaneous	61,259	111,283	26,583	4,771	9,465	15,603	4,340	27,876	10,333	24,485
Total	\$ 1,615,643	1,705,304	1,657,963	1,632,268	1,935,925	1,647,665	1,826,430	1,918,498	1,962,956	2,065,316
Disbursements:										
Operating:										
Public safety	\$ 178,304	196,791	179,068	219,252	143,493	182,553	250,875	149,857	147,862	140,173
Public works	150,495	157,072	157,541	146,962	132,156	147,810	146,006	159,772	174,498	162,829
Health and social services	1,066	816	816	816	316	316	1,158	300	316	1,053
Culture and recreation	132,407	109,500	93,616	80,721	79,799	60,454	58,216	57,013	72,257	65,722
Community and economic development	1,599	577,819	7,707	6,523	632	10,632	60,632	10,000	632	831
General government	246,296	225,490	212,723	232,213	219,968	220,080	144,417	192,818	185,976	163,021
Debt service	-	-	-	-	-	-	-	303,413	315,095	301,538
Capital projects	591,340	1,513,278	1,339,348	1,095,829	1,263,359	325,301	462,357	2,137,519	848,681	484,750
Total	\$ 1,301,507	2,780,766	1,990,819	1,782,316	1,839,723	947,146	1,123,661	3,010,692	1,745,317	1,319,917

See accompanying independent auditor's report.

STEVEN S. CLAUSEN, CPA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units and remaining fund information, and each major fund of the City of Marquette, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 10, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Marquette's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Marquette's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Marquette's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marquette's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

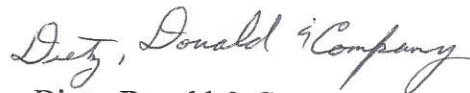
Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Marquette during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

October 10, 2014


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF MARQUETTE
SCHEDULE OF FINDINGS
Year Ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

No material weaknesses were identified.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF MARQUETTE
SCHEDULE OF FINDINGS
Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - Disbursements for the year ended June 30, 2014 did not exceed the amount budgeted.
- II-B-14 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-14 Business Transactions - No business transactions between the City and City officials were noted.
- II-E-14 Bond Coverage - Surety bond coverage of City officials and employees in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Board Minutes but were not.
- II-G-14 Deposits and Investments -No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.